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CONFIDENTIALITY OF TAX RETURN INFORMATION

By law, information about your tax return is strictly confidential. This means that no one at the Internal Revenue Service may tell anyone -- whether your relative, a neighbor, a reporter, or another government employee -- anything about your tax return or your relationship with the IRS, unless the law allows such a disclosure. Section 6103 of the Internal Revenue Code lists specific circumstances when disclosures may be made -- for example, when the taxpayer gives written authorization.

Confidentiality extends not only to the tax returns you file and the data these returns contain, but also to all information related to those returns. This includes such things as reviews or audits of your return, efforts to collect unpaid tax, or an IRS determination of your tax liability if you did not file a return.

Confidentiality rules apply to all information the IRS has about your tax return, whether that information comes from you or from some other source. Unless allowed by law, an IRS employee cannot tell someone whether you even filed a tax return, let alone what is in your return or whether the IRS may be acting upon it in some way.

Unauthorized disclosure of tax information is a felony crime, with a maximum penalty of a $250,000 fine and five years in prison. The law also requires the firing of any federal employee convicted of this crime. If someone improperly reveals your tax information, you may sue for civil damages of at least $1,000 for each such action.

The laws on confidentiality of tax information are designed to balance the government’s need for the information to be disclosed against the taxpayer’s right to privacy and the impact of a disclosure on tax administration. In striking this balance, Congress, not the IRS, determines what can be disclosed by the laws it passes.

The IRS takes its responsibilities to protect tax information most seriously. In training materials, agency guidelines and manual, it stresses to its employees both the need to respect taxpayers’ rights to confidentiality and the penalties for violating the law.

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Responding to Public Statements

Taxpayers may make public anything they want about their own tax matters. For example, you may talk with reporters, speak in a public forum, or even testify before a Congressional committee. The IRS does not have the same freedom to respond. Without authorization, the IRS cannot confirm, deny, clarify or correct any statements you make about your tax return.

Disclosure to Committees of Congress

The law allows congressional committees to receive tax information, but only in a closed executive session, unless the taxpayer consents in writing otherwise. The heads of three committees may request tax information from the IRS -- the House Committee on Ways and Means, the Senate Committee on Finance, and the Joint Committee on Taxation. Other committees may request tax information only when specifically authorized by their respective body of Congress, or, for a joint committee, by a concurrent resolution of the House and Senate. Congressional members or staffers who receive taxpayer information must maintain its confidentiality unless the taxpayer consents in writing to its disclosure.

Taxpayer's Consent to Disclosure

The law allows the government to disclose your tax information to anyone you designate. However, the government cannot go beyond the terms of your consent. For example, suppose you sign a consent for the IRS to give information about your tax return to a Congressional committee in an open session. After the hearing, the IRS official who testified is asked to repeat the answer given to a question during the hearing. Since the consent extended only to the hearing, the IRS official could not answer the question. Likewise, the official could not explain or add to the statements given during the hearing, even at the request of someone, such as a reporter, who was present at the hearing.

If a tax matter involved several taxpayers, each taxpayer would have to consent to disclosure before the IRS could reveal information it had about that taxpayer. For example, if three companies were involved in related transactions and only one company gave a disclosure consent, the IRS would be severely limited in what it could say about the matter. The IRS could not disclose any tax information of the other two companies, which could result in misleading or incomplete testimony.

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When a married couple files a joint tax return, either spouse may grant a valid consent to disclose information about that return. However, neither spouse may authorize disclosure of the other's tax matters for a year for which they did not file jointly. For example, if a couple married in 1996 and filed jointly for that year, either spouse could consent to the IRS explaining to a reporter the results of an audit of that return. However, if the IRS audited the husband's 1995 return -- before they were married -- the wife could not authorize the IRS to disclose anything regarding that year. Similarly, if the couple filed separate returns while married -- or if they divorced and each filed as a single person -- neither spouse could authorize disclosure of the other spouse's tax information for any year they did not file a joint return.

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